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27 September 1958

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CENTRAL

INTELLIGENCE

BULLETIN



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## CENTRAL INTELLIGENCE BULLETIN

27 September 1958

### DAILY BRIEF

#### I. THE COMMUNIST BLOC

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USSR-Yugoslavia: By renewing an offer of 200,000 tons of wheat to Yugoslavia, delivery of which, according to the Yugoslavs, had been withheld, the USSR probably hopes to discredit Yugoslav arguments that Moscow's trade carries political strings and to undermine Belgrade's position in its current economic negotiations with the US.

*OK*  
USSR-India: The USSR apparently has offered to construct India's fourth government-owned steel mill provided New Delhi agrees to permit beginning of construction in the near future. Moscow's contingent offer may be an attempt to preclude Western construction of the plant, as Soviet construction of the Bhilai steel mill has been Moscow's most successfully propagandized effort in the underdeveloped countries.

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## II. ASIA-AFRICA

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Coup in Burma: The Burmese Army has moved to control the government. Premier U Nu has agreed to resign in favor of Commander in Chief Ne Win on 28 October when Parliament meets. Ne Win is strongly anti-Communist and inclined to cooperate with the West. He was probably persuaded to take action because of the threat of widespread violence prior to national elections previously expected in November. He probably equally feared sizable Communist gains.

*OK*

Middle East oil: Nasir's expected drive against Western oil interests in the Middle East apparently has begun. The relatively amicable atmosphere which had characterized recent profit-sharing negotiations between Syria and the American-owned Tapline carrying Saudi oil to the Mediterranean changed following orders from Cairo. The introduction of unacceptable demands appears designed ultimately to move the scene of decisive negotiations to Cairo, where an over-all Arab oil policy toward Western oil companies probably is being developed.

*up*

Yemen: The Imam of Yemen, who plans to seek medical treatment abroad in the near future, is becoming more detached from public affairs, and his continued ability to control Soviet influence in Yemen appears doubtful. Anti-American Crown Prince Badr is indifferent to the deterioration within

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the government; he appears interested primarily in increasing USSR and UAR influence in the belief support by these powers will ensure his succession.

*OK*

Baghdad Pact: Pact representatives will meet in Ankara on 1 October at Turkey's request in an effort to finalize the transfer of the secretariat from Baghdad to Ankara and to discuss problems arising therefrom.

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Chinese UN representation: Ambassador Lodge warns that the Chinese representation issue may again be raised at the General Assembly in a matter of weeks if the offshore islands question comes to the United Nations under circumstances appearing to threaten war. The ambassador believes that the United States may then not be able to hold its position. He fears a weakening of Latin American support, essential to maintain the third of total votes which is needed to block reintroduction of the issue.

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Cyprus: The British cabinet has decided not to permit NATO Secretary General Spaak's proposal to delay implementation of Britain's Cyprus plan beyond 1 October. This decision, together with the Turkish NATO representative's categorical rejection of Spaak's conference proposal, appears to have defeated the Secretary General's last-minute efforts to forestall the expected violent reaction in Greece and Cyprus when the plan goes into effect.

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DAILY BRIEF

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## I. THE COMMUNIST BLOC

### USSR Renews Offer to Supply Wheat to Yugoslavia

A representative of the Soviet Embassy in Belgrade has informed the Yugoslav Government that the 200,000 tons of wheat specified by the current trade agreement are available in Soviet ports, according to Western press reports on 25 September. Belgrade has been saying for some time that Moscow was refusing to deliver the wheat, although Yugoslav officials have admitted privately that there had been no formal Soviet refusal.

By first stalling and making Belgrade believe the wheat would not be forthcoming, but later appearing to reverse its position, Moscow probably hopes to discredit Yugoslav arguments that Soviet economic aid carries political strings. In making the move at this time, Moscow is probably trying to undermine Belgrade's position in its current economic negotiations with the US. The Yugoslavs have made themselves vulnerable to this by exaggerating to the West the seriousness of the bloc's economic campaign against Yugoslavia and its probable effects on the Yugoslav economy.

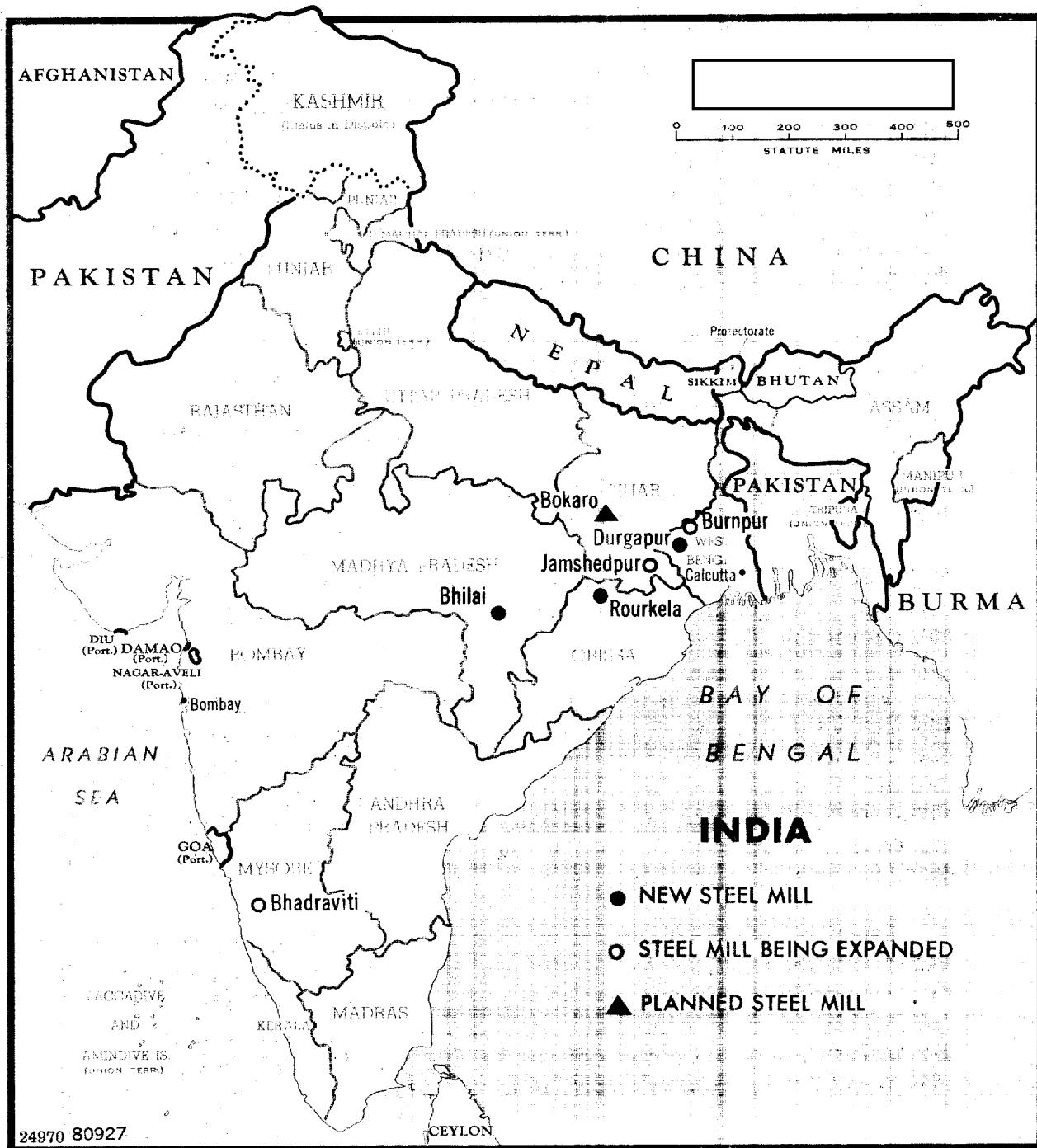
Yugoslav officials have claimed that both the wheat and the 600,000 tons of coking coal covered by the agreement would be withheld by the bloc this year. With respect to coal, they say they are "in a very bad way," and this statement appears to be justified. Without the deliveries, the country's two major coking plants would have to close down before the end of the year.

Despite the USSR's move on wheat, economic harassment will probably continue as an element in the bloc's anti-Yugoslav campaign. A complete economic boycott is unlikely, but the bloc can be expected to take an equivocal position on the delivery of vital commodities to Yugoslavia such as coal, cotton, and oil.

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USSR Apparently Offers Another Steel Mill to India

The USSR apparently has offered India another million-ton steel mill, to be built at Bokaro, provided New Delhi agrees to allow work to begin in the near future. Moscow may be trying to preclude construction by any Western country of the mill India is planning at this site. Soviet assistance in building the steel mill at Bhilai in central India is Moscow's most successfully propagandized effort in the underdeveloped countries.

The Second Five-Year Plan calls for completion of the three government-owned million-ton steel mills now being built with Soviet, West German, and British assistance and expansion of three existing mills. This would raise India's annual production from about 1,500,000 to 6,000,000 tons of crude steel by 1961. India's steel expansion program calls for the construction of at least one additional mill during the third plan period, and preliminary work has been done at Bokaro. Because of India's stringent financial position, it is unlikely to agree to begin construction of the Bokaro mill in the near future. India may accept this offer in principle, however, provided acceptance does not rule out Soviet assistance for expansion of the mill at Bhilai during the third plan.

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## II. ASIA-AFRICA

### Army Coup in Burma

The Burmese Army, under Commander in Chief Ne Win, in a well-coordinated bloodless coup on 26 September moved to take control of the government. Formally, the government remains unchanged for the present, but civilian politicians clearly are no longer in command. Premier Nu, acting behind the constitutional facade, has asked President Win Maung to call Parliament for 28 October, the earliest possible date under Burmese parliamentary custom. He has announced that he will then resign and has called upon the country to support General Ne Win as the new premier.

The army action took place following a welter of coup rumors and severe political tensions. It appears to have been touched off by alarming evidence of growing Communist political strength. In addition, Communist insurgents who recently surrendered are known to have cached arms in the jungle, and the army feared their use for voter intimidation in the projected November elections. Political fragmentation among Burma's non-Communists was expected to result in widespread violence before or during the elections.

General Ne Win, the new leader, is strongly anti-Communist and has long held the power to take over the government by force. He has the personal loyalty of the armed services. However, his distaste for political leadership, following his 1949 tour as deputy premier, has led him to concentrate on his military career. Whether he has acted because of prompting by the opposition AFPFL faction led by former Deputy Premiers Ba Swe and Kyaw Nyien or because of the army's analysis of Burma's political situation, his action must have come from a conviction that Burma's prospects were desperate.

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Middle East Oil Developments

The amicable atmosphere which had characterized recent profit-sharing negotiations between Syria and the American-owned Tapline carrying Saudi oil to the Mediterranean has been changed, apparently on orders from Cairo. Prior to the return of Syrian Minister of Trade and Economy Kallas from Cairo, the profit-splitting negotiations were proceeding satisfactorily from Tapline's point of view.

On his return, however, Kallas demanded application of a formula involving a payment of 60 cents a barrel, which would involve operating at a substantial loss. The unacceptability of this demand and the take-it-or-leave-it position appears designed ultimately to move the scene of decisive negotiations to Cairo, where an over-all Arab oil policy toward Western oil companies is being developed. Nasir may also be planning a substantial victory over Western interests prior to the Arab Petroleum Conference now scheduled for early next year, at which Cairo hopes to gain firm control over the petroleum policies of Arab oil-producing countries.

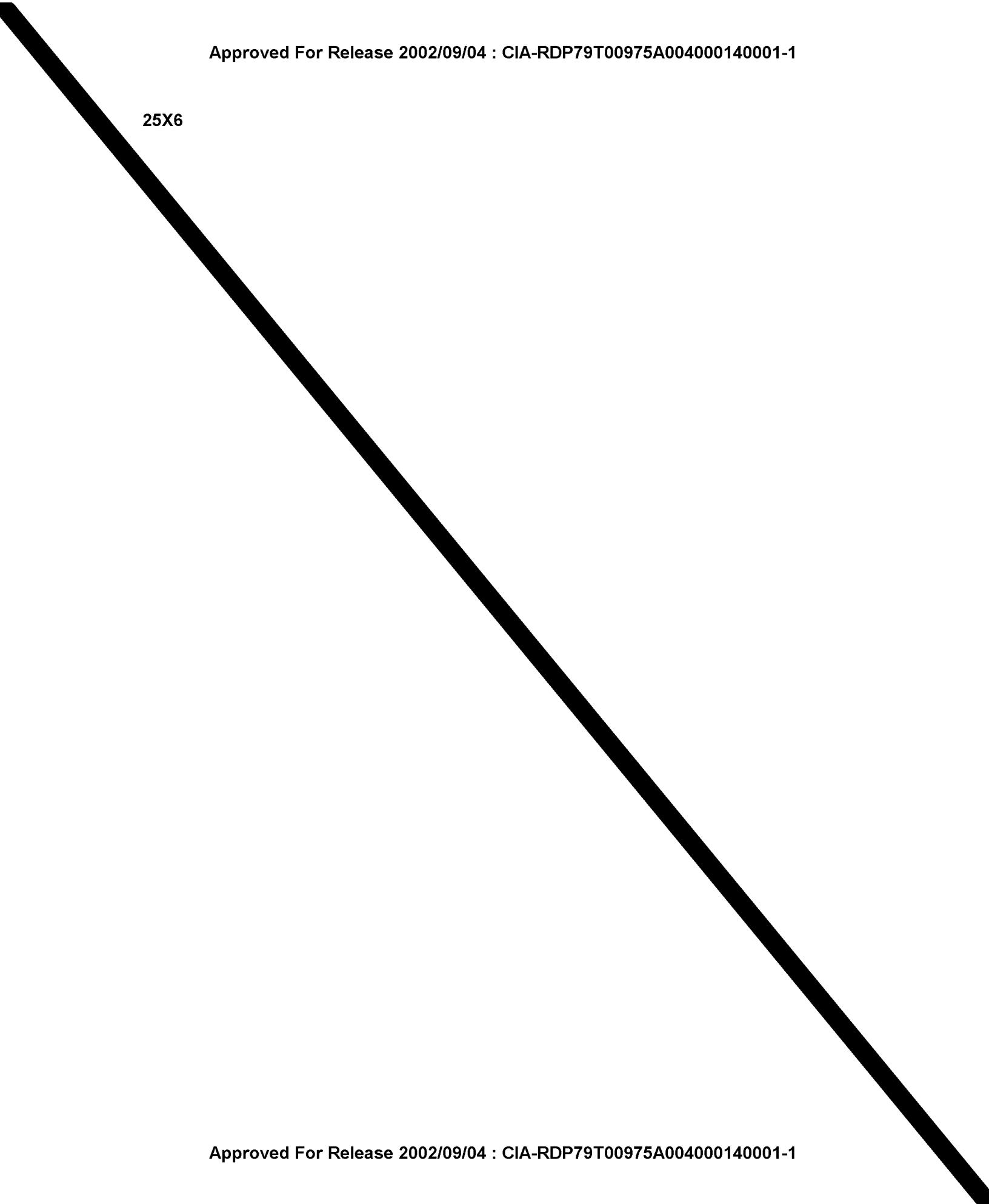
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Baghdad Pact Representatives to Meet in AnkaraOn 1 October

Representatives of all the Baghdad Pact countries except Iraq will convene in Ankara on 1 October at the invitation of the Turkish Government to finalize the decision made at London after the Iraqi coup last July to move the secretariat from Baghdad to Ankara. The meeting will open as an informal session in order to make Iraqi attendance unnecessary but may evolve into a formal meeting. It will probably consider matters pertaining to the next meetings--possibly in January or February at Tehran or Karachi--of the ministerial council and the Combined Military Planning Staff.

Pact activities have been severely restricted since July because of the uncertainties surrounding the intentions of the new regime in Baghdad vis-a-vis the alliance. Popular opposition in Iraq to the pact alignment precludes continuation of a bona fide membership, but the new government may delay formal withdrawal in the hope of retaining access to confidential decisions and documents. No effort is being made by the other members to force Iraq to withdraw, but they have no intention of allowing Iraq, by its lack of decision, to frustrate efforts to go ahead with area defense and other aspects of regional cooperation.

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### III. THE WEST

#### Chinese UN Representation

The Chinese representation question may again be raised at the UN General Assembly in a matter of weeks if the offshore islands question is brought to the UN under circumstances appearing to threaten war. Ambassador Lodge has advised that the United States may then be unable to obtain the one-third vote necessary to prevent re-introduction of the representation issue.

Recent discussions in New York have reflected growing distaste for the moratorium formula. Several Latin American representatives expressed reluctance to go along with the United States in the future, while one stated his country considered the policy humiliating to the Latin Americans, serving only to give the impression that they were US satellites. The spokesman for Argentina reported that a majority of the Latin American delegations personally opposed the US position.

In many of the countries, press and radio criticism of the government's "subservience" to US "pressure" provides a stimulus for official restiveness. Most influential Latin Americans, however--except perhaps in the larger countries--may at least for the near future continue to share the opinion of Costa Rican delegate Guido Fernandez, who stated earlier this month that, even in the case of "erroneous" US foreign policy decisions, Latin America is bound to the United States and must of necessity follow its lead.

Canada, meanwhile, has made it clear that this was the last year it could be counted on to back the United States. Belgium is understood to hold similar views. Dissension was reported within the Pakistani delegation on the issue, and Japan refused outright to speak in favor of the US resolution.

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